

ANNEX IX

REPORTING ON LARGE EXPOSURES

1. This Annex contains additional instructions for the tables (hereinafter “LE”) included in Annex VIII of this Regulation. This Annex complements the instructions in format of references included in the tables in Annex VIII.
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PART I: GENERAL INSTRUCTIONS

1. Structure and conventions

1.1. Structure

3. Overall, the framework consists of two templates:
 1. Large exposures in the non-trading and trading book
 2. Detail of the exposures to individual entities within groups
4. For each template legal references are provided as well as further detailed information regarding more general aspects of the reporting of templates and instructions concerning specific positions .

1.2. Numbering convention

5. The document will follow the labelling convention set in the following paragraphs, when referring to the columns, rows and cells of the templates. These numerical codes are extensively used in the validation rules.
6. The following general notation is followed in the instructions: {Template;Row;Column}. An asterisk sign will be used to express that the validation is done for all the rows reported.

Explanatory text for consultation purposes:

For example: {LE1;*;020} refers to the data point of column 020 for any row of LE1 template.

7. In the case of validations inside a template, in which only data points of that template is used, notations will not refer to a template: {Row;Column}.
8. ABS(Value) means the absolute value without sign.

1.3. Sign convention

9. Any amount that increases the exposures will be reported as a positive figure. On the contrary, any amount that reduces the exposures will be reported as a negative figure. Where there is a negative sign (-) preceding the label of an item no positive figure is expected to be reported for that item.

PART II: TEMPLATE RELATED INSTRUCTIONS

1. General remarks

10. The data of the groups of connected clients and individual clients are included in the LE1 template (in which a group of connected clients is considered as one exposure). The LE2 template contains the data of individual counterparties belonging to the groups included in LE1 template. Both templates are required on solo and consolidated basis. Regarding the construction and content there is a difference between the columns of the LE1 and LE2 templates in the block of "Identification and characteristics of client or group of connected clients" (see Points 2.1 and 3.1 Instructions concerning specific columns)
11. The columns of LE1 and LE2 templates are constructed based on four blocks of information:
 - a. the identification and characteristics of clients or groups of connected clients to which an institution has an exposure ;
 - b. the exposure value before application of exemptions and before taking into account the effect of the credit risk mitigation, including the direct, indirect exposure and schemes "look-through" effect;
 - c. the effect of the exemptions and of the credit risk mitigation techniques;
 - d. the exposure value after application of exemptions and after taking into account the effect of the credit risk mitigation calculated for the purpose of Article 384 (1) of CRR.
12. The definition of 'Group of connected clients' shall be used in this ITS is defined in Article 4(46) of CRR.
13. 'Civil-law associations' shall be treated as follows: Institutions shall add the credit amounts of the civil-law association to the indebtedness of each partner. Consequently, only the partners would have to be reported and, if the only relationship among them is this association, no group of connected clients would have to be established.
14. In LE templates, assets and off balance sheet items shall be used without risk weights or degrees of risk in accordance to Article 378 of CRR. Specifically, credit conversion factors shall not be applied to off balance sheet items.
15. 'Exposures' for the purposes of the large exposure is defined in Article 378 of CRR and shall mean:
 - a. Any asset or off-balance sheet items in the non-trading and trading book including items laid down in Article 389 of CRR, but excluding items which fall under effect of Article 379 (6) of CRR;
 - b. 'Indirect exposures' are those exposures allocated to the guarantor or to the issuer of the collateral rather than to the immediate borrower in accordance with Article 392 of CRR.
16. Article 381 defines the 'large exposure' as an institution's exposure to a client or group of connected clients where its value is equal to or exceeds 10 % of its eligible capital. Every large exposure has to be reported to the competent authority including the large exposures that need not be considered for the total large exposure limit laid down in Article 384 of CRR.
17. The 'Value of an exposure' is calculated according to Article 379 of CRR.
18. The effect of the full or partial application of exemptions and eligible CRM techniques for the purposes of calculating of exposures for the purpose of Article 384 (1) is described in Articles 388 to 392 of CRR.

19. The applicable large exposures limit has to be calculated according to the Articles 4 (23) and 384 of CRR. If the value of the total large exposures after CRM in the trading book exceeds the large exposures limit, additional own funds requirement is required to cover such exposures according to Article 386 of CRR.

2. LE Limits

2.1. Instructions concerning specific rows

Rows	Legal references and instructions
010	<p><u>Non institutions</u></p> <p>Article 384 (1) of CRR</p> <p>The amount of the applicable limit for firms other than institutions based on the Value of CA4 row 220 has to be reported.</p>
020	<p><u>Institutions</u></p> <p>Article 384 (1) of CRR</p> <p>The amount of the applicable limit for institutions based on the Value of CA4 row 220 has to be reported. This can also be the limit determined by the institution in accordance with the policies and procedures to address and control concentration risk.</p>
030	<p><u>Institutions in %</u></p> <p>Article 384 (1) of CRR</p> <p>The percentage of the applicable limit for institutions based on Article 384 (1) of CRR has to be reported. This can also be the limit determined by the institution in accordance with the policies and procedures to address and control concentration risk.</p>

3. LE 1 Large exposures in the non-trading and trading book

3.1. Instructions concerning specific columns

Column	Legal references and instructions
010-030	<p><u>Counterparty Identification:</u></p> <p>According to Article 383(1) point (a) of CRR, institutions shall report “Counterparty identification” to which it has a large exposure.</p>
010	<p><u>Name</u></p> <p>The name will correspond to the group whenever a group of connected clients exists. In any other case, the name will correspond to the individual counterparty</p> <p>For a group of connected clients, the entity’s name to be reported is the name of the parent company or, when the group of connected clients does not have a parent, the name of the client in the group with which the reporting institution has the biggest exposure.</p>
020	<p><u>Code</u></p>

	<p>The code will correspond to the group whenever a group of connected clients exists. In any other case, the code will correspond to the individual counterparty.</p> <p>The actual composition of the code depends on the national reporting system unless a uniform codification is available on EU level.</p> <p>For a group of connected clients, the entity's code to be reported is the code of the parent company or, when the group of connected clients does not have a parent, the code of the client in the group with which the reporting institution has the biggest exposure.</p>
030	<p><u>Group or individual</u></p> <p>"1" for individual clients and "2" for groups of connected clients</p>
040-060	<p><u>Counterparty characteristics :</u></p>
040	<p><u>Residence of the counterparty</u></p> <p>ISO code of the country of the counterparty shall be used.</p> <p>For a group of connected clients the ISO code of the country of the parent company shall be used or, where the group of connected clients does not have a parent, the ISO code of the country of the client in the group with which the reporting institution has the biggest exposure.</p>
050	<p><u>Sector of the counterparty</u></p> <p>One sector shall be allocated to every counterparty:</p> <p>(i) General Governments and Central Banks; (ii) Credit institutions; (iii) Investment firms (iv) Financial corporations other than institutions; (v) Non-financial corporations; (vi) Households.</p> <p>For a group of connected clients the sector of the main activity of the parent company in the group shall be used or, where the group of connected clients does not have a parent, the sector of the main activity of the client in the group with which the reporting institution has the biggest exposure.</p>
060	<p><u>NACE code</u></p> <p>For the economic sector, the NACE codes (Nomenclature statistique des activités économiques dans la Communauté européenne = Statistical Classification of Economic Activities of the EU) shall be used. List of NACE codes are available: http://ec.europa.eu/competition/mergers/cases/index/nace_all.html</p> <p>This column applies only for the counterparties "Other financial corporations" and "Non-financial corporations". NACE codes shall be used for "Non-financial corporations" with one level detail; "Other financial corporations" with a two levels detail (the two level detail provides separate information on insurance activities)</p> <p>For a group of connected clients the NACE code of the main activity of the parent company in the group shall be used or, where the group of connected clients does not have a parent, the sector of the main activity of the client in the group with which the reporting institution has the biggest exposure.</p>
070 - 200	<p><u>Original exposures</u></p> <p>Articles 94, 106, 378,379 and 381 of CRR</p> <p>This block of columns shall contain the original exposures of direct exposures, indirect exposures, and exposures arising from schemes for which a look-through approach has been used.</p> <p>According to Article 378 of CRR, assets and off balance sheet items shall be used without</p>

	<p>risk weights or degrees of risk. Specifically, credit conversion factors shall not be applied to off balance sheet items.</p> <p>These columns shall contain the original exposure, i.e. the exposure value without taking into account value adjustments and provisions, which are deducted in column 210. Definition and calculation of exposure value is set out in Articles 378 and 379 of CRR. The valuation of assets and off-balance-sheet items shall be effected in accordance with the accounting framework to which the institution is subject, according to Article 94 of CRR.</p> <p>Exposures deducted from own funds, which are not exposures according to Article 379 (6) point (e), are included in these columns. These exposures are deducted in the column 220. Exposures, named in Article 379 (6) Point (a) to (d) shall not be included in these columns.</p> <p>Original exposures include any asset and off-balance sheet items according to the Article 389 of CRR. The exemptions shall be deducted for the purpose of Article 384 (1) of CRR in column 260.</p> <p>Exposures from both non-trading and trading book shall be included.</p>
070	<p><u>Total original exposure</u></p> <p>This column shall contain the sum of Direct exposures, Indirect exposures as well as the Schemes “look-through” effect.</p>
080	<p><u>Of which: defaulted</u> Article 174 of CRR</p> <p>This column shall contain the part of the total original exposure corresponding to defaulted exposures, as defined in Article 174 of CRR.</p>
090-140	<p><u>Direct exposures</u></p> <p>Direct exposures mean the exposures on “immediate borrower” basis. The breakdown of this block corresponds for the purpose on the Articles 379 (7) and 388 (4) of CRR.</p>
090	<p><u>Debt instruments</u></p> <p>Debt instruments shall include debt securities, and loans and advances as defined in FIN-REP. This means that repurchase transactions, securities or commodities lending or borrowing transactions and margin lending transactions shall be included in this column.</p>
100	<p><u>Equity instruments</u></p> <p>This column shall contain those instruments qualified as equity according to FINREP. Furthermore Articles 150, 163, 379 (3) and Annex I of CRR are applicable.</p>
110	<p><u>Derivatives</u></p> <p>Article 267(2) and Annex II of CRR</p> <p>Instruments to be reported in this column shall include derivatives listed in Annex II of CRR and long settlement transactions, as defined in Article 267(2) of CRR. Credit derivatives that are subject to counterparty credit risk shall be included in this column.</p>
120-140	<p><u>Off balance sheet items</u></p> <p>Annex I of CRR</p>

	The value of these columns shall be the nominal value, before any reduction of specific credit risk adjustments and without application of conversion factors.
120	<p><u>Loan commitments</u></p> <p>Loan commitments are firm commitments to provide credit under pre-specified terms and conditions, except those that are derivatives because they can be settled net in cash or by delivering or issuing another financial instrument.</p> <p>See Annex V Part 3.paragraph 17 of ITS</p>
130	<p><u>Financial guarantees</u></p> <p>Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Credit derivatives that are not included in the column “derivatives” shall be reported in this column.</p> <p>See Annex V Part 3.paragraph 18 of ITS</p>
140	<p><u>Other commitments</u></p> <p>Other commitments are the items in Annex I of the CRR that are not included in the previous categories.</p> <p>See Annex V Part 3.16-19 of ITS</p>
150-190	<p><u>Indirect exposures</u></p> <p>Article 392 of CRR</p> <p>According to Article 392 of CRR, a credit institution may <i>use the substitution approach</i> where an exposure to a client is guaranteed by a third party, or secured by collateral issued by a third party.</p> <p>This block of columns shall be used for reporting the amounts of the Direct exposures that are re-assigned to the guarantor or the issuer of collateral for the calculation of capital requirements for credit risk under Part Three, Title II of the CRR. The protected reference original exposure (direct exposure) is deducted from the exposure to the original borrower in the block of “Eligible credit risk mitigation techniques”. The indirect exposure increases the exposure to the guarantor or third party via substitution effect.</p> <p>The original amount of the Indirect exposures shall be reported in the column of this block that corresponds to the type of direct exposure guaranteed or secured by collateral such as, when the direct exposure guaranteed is a debt instrument, the amount of “Indirect exposure” assigned to the guarantor is reported under the column “Debt instruments”.</p>
150	<p><u>Debt instruments</u></p> <p>See column 090</p>
160	<p><u>Derivatives</u></p> <p>See column 110</p>
170-190	<p><u>Off balance sheet items</u></p> <p>The value of these columns shall be the nominal value, before any reduction of specific</p>

	credit risk adjustments and conversion factors are applied.
170	<u>Loan commitments</u> See column 120
180	<u>Financial guarantees</u> See column 130
190	<u>Other commitments</u> See column 140
200	<u>Schemes “look-through” effect</u> Article 379(7) of CRR. Exposures arising from schemes for which a look- trough approach has been used should be reported on this column. These amounts are to be allocated to the group of connected clients or, where this group does not exist, to the individual counterparty of the underlying exposures.
210	<u>(-) Value adjustments and provisions</u> Articles 31, 94, 105 and 106 of CRR Value adjustment and provisions included in the corresponding accounting framework (Directive 86/635/EEC or Regulation 1606/2002) that affect the valuation of exposures according to Article 94 and 105 of CRR. Value adjustments and provisions against the gross exposure given in column 070 are to be reported in this column.
220	<u>(-) Exposures deducted from own funds</u> Article 379 (6) Point (e) of CRR. Exposures deducted from own funds, which are included in the different columns of Total original exposure, are to be reported.
230-250	<u>Exposure value before application of exemptions and CRM</u> According to Article 383(1) point (b) of CRR, institutions shall report “the exposure value before taking into account the effect of the credit risk mitigation, when applicable”.
230	<u>Total</u> The exposure value reported in this column is the amount to be used for determining whether an exposure is a large exposure according to the definition in Article 381 of CRR. This includes the Original exposure after subtracting value adjustments and provisions and the amount of the exposures deducted from own funds.
240	<u>Of which: Non-trading book</u> The amount of the non-trading book from the total exposure before exemptions and CRM.
250	<u>% of eligible capital</u>

	<p>Articles 4 (23) and 384 of CRR.</p> <p>The amount to be reported is the percentage of the exposure value before application of exemptions and CRM related to the eligible capital of the reporting institution, as defined in Article 4(23) of CRR</p>
260-320	<p><u>(-) Eligible credit risk mitigation (CRM) techniques</u></p> <p>Articles 388 and 390 to 392 of CRR</p> <p>CRM techniques as defined in Article 4 (32) of CRR.</p> <p>For the purposes of reporting on large exposure, CRM techniques recognised in Part Three, Title II, Chapter 3 and 4 shall be used accordance with the Articles 390 to 392 of CRR.</p> <p>CRM techniques may have three different effects in the LE regime: Substitution effect (reported in columns 270 to 310); Funded credit protection other than substitution_effect (reported in column 320); and real estate treatment (reported in column 330)</p>
260 to 300	<p><u>(-) Substitution effect of eligible credit risk mitigation techniques</u></p> <p>Article 392 of CRR</p> <p>The amount to be reported in these columns corresponds to the exposures guaranteed by a third party, or secured by collateral issued by a third party, which the reporting institution decides to treat as incurred with the guarantor.</p>
260	<p><u>(-) Debt instruments</u></p> <p>See column 090</p>
270	<p><u>(-) Derivatives</u></p> <p>See column 110</p>
280-300	<p><u>(-) Off balance sheet items</u></p> <p>The value of these columns shall be without application of conversion factors.</p>
280	<p><u>(-) Loan commitments</u></p> <p>See column 120</p>
290	<p><u>(-) Financial guarantees</u></p> <p>See column 130</p>
300	<p><u>(-) Other commitments</u></p> <p>See column 140</p>
310	<p><u>(-) Funded credit protection other than substitution effect</u></p> <p>Article 390 of CRR</p> <p>Amounts of funded credit protection, as defined in Article 4(3) of CRR, that are deducted from the exposure value due to the application of Article 390 of CRR</p>

320	<p><u>(-) Real estate</u></p> <p>Article 391 of CRR</p> <p>Amounts deducted from the exposure value due to the application of Article 391 of CRR</p>
330	<p><u>(-) Amounts exempted</u></p> <p>Article 389 of CRR.</p> <p>Amounts exempted from the LE regime.</p> <p>Additional qualitative information may be asked in order to show the paragraph of the exemptions used</p>
340-360	<p><u>Exposure value after application of exemptions and CRM</u></p> <p>According to Article 383(1) point (d) of CRR, the institution shall report “the exposure value after taking into account the effect of the exemptions and credit risk mitigation calculated for the purpose of Article 384(1)”.</p>
340	<p><u>Total</u></p> <p><u>This column shows the amount that has to be taken into account in order to comply with the large exposures limit stated in Article 384.</u></p>
350	<p><u>Of which: Non-trading book</u></p> <p>The total exposure after application of exemption and after taking into account of the effect of CRM belonging to the non-trading book is to be reported in this column.</p>
360	<p><u>% of eligible capital</u></p> <p>The amount to be reported is the percentage of the exposure value after application of exemptions and CRM related to the eligible capital of the reporting institution, as defined in Article 4(23) of CRR</p>
370	<p><u>Memorandum item: number of breaches during reporting period</u></p> <p>According to Article 385 (1) of CRR.</p> <p>The reporting of the number of breaches during the reporting period does not replace the obligation to report the value of the exposure without delay as laid down in Article 385 (1) of CRR.</p>

4. LE 2 Template Details of the exposures to individual entities within groups

4.1. Instructions concerning specific columns

Column	Legal references and instructions
005-035	<p><u>Counterparty Identification:</u></p> <p>Article 4 (46) point of CRR.</p> <p>The LE2 template contains the data of individual counterparties belonging to the groups included in the rows of LE1 template</p>

005	<p><u>Group code</u></p> <p>Code of the group, to which the connected client is belonging. When a client belongs to several groups financed by the reporting institution, this client has to be reported as a member in all groups of connected clients.</p>
010	<p><u>Name</u></p> <p>The name of connected client belonging to the group.</p>
020	<p><u>Code</u></p> <p>The code of connected client belonging to the group. The actual composition of the code depends on the national reporting system.</p>
035	<p><u>Type of connection</u></p> <p>The type of connection between the individual entity and the group of connected clients shall be specified by using either 'a' with the meaning of Article 4 (46) point a CRR (control) or 'b' with the meaning of Article 4 (46) point b CRR (interconnectedness)</p>
040-370	<p><u>The remaining instructions are the same as for LE1</u></p> <p>Nevertheless, columns 040 to 060 refer to the individual counterparty, and not to the group</p>